

College of the Holy Cross CrossWorks

Economics Department Working Papers

Economics Department

7-1-2019

Is there an Economic Case for the Olympic Games?

Chris Dempsey

No Boston Olympics, christopher.dempsey@gmail.com

Victor Matheson

College of the Holy Cross, vmatheso@holycross.edu

Follow this and additional works at: https://crossworks.holycross.edu/econ_working_papers

 Part of the [Infrastructure Commons](#), [Public Economics Commons](#), [Real Estate Commons](#), [Regional Economics Commons](#), [Sports Studies Commons](#), [Technology and Innovation Commons](#), [Transportation Commons](#), and the [Urban Studies Commons](#)

Recommended Citation

Chris Dempsey & Victor Matheson, 2019. "Is there an Economic Case for the Olympic Games?," Working Papers 1902, College of the Holy Cross, Department of Economics.

This Working Paper is brought to you for free and open access by the Economics Department at CrossWorks. It has been accepted for inclusion in Economics Department Working Papers by an authorized administrator of CrossWorks.

Is there an Economic Case for the Olympic Games?

By

Chris Dempsey, Victor Matheson, and Andrew Zimbalist

July 2019

COLLEGE OF THE HOLY CROSS, DEPARTMENT OF ECONOMICS
FACULTY RESEARCH SERIES, PAPER NO. 19-02*



Department of Economics and Accounting
College of the Holy Cross
Box 45A
Worcester, Massachusetts 01610
(508) 793-3362 (phone)
(508) 793-3708 (fax)

<https://www.holycross.edu/academics/programs/economics-and-accounting>

* All papers in the Holy Cross Working Paper Series should be considered draft versions subject to future revision. Comments and suggestions are welcome.

Is there an Economic Case for the Olympic Games?

By
Chris Dempsey[†]
No Boston Olympics

Victor Matheson^{††}
College of the Holy Cross

and

Andrew Zimbalist^{†††}
Smith College

July 2019

Abstract

The Olympic Games are a major undertaking that promise both large costs and potentially large benefits to host cities. This paper lays out the potential economic benefits of hosting the Olympics and details how, in the vast majority of cases, these gains are unlikely to cover the costs of hosting the event. The ideas are then applied to the experience of Boston in its ultimately unsuccessful bid for the 2024 Summer Olympics.

JEL Classification Codes: Z28, O18, R53

Keywords: Olympics, mega-events, impact analysis, Boston, tourism

The ideas behind this paper were first presented at “Behind the Games: The Effect of the Olympics on Host Cities,” UConn Law School, Hartford, CT, April 2019

[†] Co-Founder, No Boston Olympics, christopher.dempsey@gmail.com

^{††} Department of Economics, Box 157A, College of the Holy Cross, Worcester, MA 01610-2395, 508-793-2649 (phone), 508-793-3710 (fax), vmatheso@holycross.edu

^{†††} Department of Economics, Smith College, Northampton, MA, 01063, azimbali@smith.edu.

Introduction

There is something special about the Olympics. Even the fiercest critics of the quadrennial Summer and Winter Games grant that the Games bring tens of thousands of fans to the host cities, focus worldwide attention on these cities, and leave a legacy of tourist and sports infrastructure that potentially could be enjoyed for years to come. But an honest appraisal of the economic impact of the Olympic Games also recognizes that they also bring significant costs and disruption to the cities that host these events.

This article lays out the arguments in favor of hosting the Olympics along with the circumstances that would need to arise for a best-case scenario for a host city. This is followed by an examination of costs of hosting the Olympics in comparison to the potential benefits. This section also details the ways in which the benefits of the Olympics may be exaggerated while the costs may be underestimated. Following these two sections, this article examines the case of how the Boston's plan to bid for the 2024 Olympics was scuttled by a coalition of politicians, academics, and grassroots activists who came to the realization that in nearly any reasonable scenario, the costs to the city would exceed the benefits by a wide margin. The paper concludes with suggestions to cities considering throw their hat into the ring to attract the Rings.

The Good

While Olympic supporters often touted the short- and long-run economic benefits of hosting the Games, the peer-reviewed literature typically finds little or no evidence that the hosting the Olympics provides benefits that exceed the costs of the hosting the event (Baade and Matheson, 2016; Zimbalist, 2016). In addition, the privately funded consulting reports that frequently accompany proposals to bid for the Olympics not only suffer from significant

methodological and theoretical flaws that make their conclusions suspect, but also invariably seem to overestimate revenues and underestimate costs leading to optimistic cost-benefit analyses that are rarely borne out in reality. That being said, however, there are certain conditions when it might make economic sense to host the Olympics.

As shown in Table 1, the modern Olympics have become a prohibitively expensive event. When the costs begin to exceed \$10 billion, as essentially all recent Games have done, it is nearly impossible to justify that level of public investment.

Table 1: Costs of various Olympic Games (not inflation adjusted except as noted)

Event	Year	Location	Cost
Summer Olympics	2008	Beijing	\$45 billion
Summer Olympics	2012	London	\$14.6 billion
Summer Olympics	2016	Rio	\$14.4 billion
Summer Olympics	2020	Tokyo	\$27.3 billion (est.)
Winter Olympics	1996	Nagano	Unknown (\$10+ billion)
Winter Olympics	2014	Sochi	\$51 billion
Winter Olympics	2018	Pyeongchang	\$13 billion
Summer Olympics	1984	Los Angeles	Local Costs: \$413 million (\$1.0B in \$2019) Local Taxpayer costs: \$75 million Surplus: \$220 million
Summer Olympics	1996	Atlanta	Local Costs: \$1.8 billion (\$2.9B in \$2019) Local Taxpayer costs: \$608 million
Winter Olympics	2002	Salt Lake City	Local Costs: \$1.9 billion (\$2.7B in \$2019) Local Taxpayer costs: \$600 million
Summer Olympics	2028	Los Angeles	Local Costs: \$6.9 billion (est.)

Source: Baade and Matheson (2016); Preuss (2004); and various media sources.

But costs of this magnitude are a relatively recent phenomenon in the history of the Olympics, and there is no reason that this level of expenditures must take place as a matter of course. As also seen in Table 1, there are Games in the not too distant past that have not broken the bank and managed to contain costs. The 2028 Los Angeles Olympics looks to carry that

commitment to economic sustainability forward into the future with costs less than half that of other recent Olympics.

Of course, even the planned \$6.9 billion in costs for the 2028 Games (AP, 2019a) is still a hefty bill, but no one doubts the ability of the Olympics to generate significant revenues for the host city. Table 2 shows the direct revenues generated by the 2012 Summer Games in London. Between those revenue streams controlled by the International Olympic Committee (IOC) and the London organizers, over \$5 billion in revenue was generated. Just these revenues would be sufficient to cover a large portion of the entire planned costs of the 2028 LA Games. In addition, any incremental revenue created through increased hotel, restaurant, and retail sales could be used to supplement these revenue sources in order to cover the entire costs of putting on the event.

Table 2: Revenue sources (2012 Summer Games, \$ millions)

Source	IOC	London Organizers
Broadcasting rights	\$2,723	\$0
International sponsors	\$300 (est.)	\$0
Domestic sponsors	\$0	\$1,150
Tickets	\$0	\$988
Licensing	\$0	\$119
Total	\$3,023	\$2,257

Source: International Olympic Committee (2014)

So far we have only addressed the short-run benefits of the Olympics and their ability to generate revenue for the city during the event itself. However, there is no doubt that the Olympics serve to focus the attention of the world on the host city creating the opportunity to market the city to the world as a future tourist or business destination. Two success stories come to mind. Barcelona, host of the 1992 Summer Games, used its moment in the spotlight to showcase the city's non-Olympic attractions. Although one must be careful not to confuse

causation and correlation, there can be no question that the city experienced a tourism boom in the wake of their Olympic moment moving from the 13th most popular tourist destination in Europe in 1990 to the 5th most popular destination in 2010. In 1990 Barcelona hosted less than half the number of bed nights in their hotels as neighboring Madrid but had eclipsed its sister city in this figure by 2010. Similarly, Salt Lake City used the 2002 Winter Games to advertise its state as a premier winter sports destination. Between 2000 and 2015 the state witnessed a 20.4% increase in skier visits far outpacing the 8.0% growth in its more established competitor state of Colorado (Baade and Matheson, 2016).

Not every host can expect the success enjoyed by Barcelona and Salt Lake City. Both can be considered “hidden gems,” relatively unknown locations with lots to offer future tourists that could benefit from the massive advertising offered by hosting the Games. Thus, cities like London, which is already the most popular tourist destination in Europe, may not see the same sort of tourism boost enjoyed by Barcelona. Likewise, cities like Atlanta or Calgary may not be attractive enough as future tourist destinations to benefit from the media blitz surrounding the Olympics.

The Olympics also offer cities and urban planners the opportunity to reshape their cities for the future. Local governments may lack the political will to make difficult but necessary infrastructure decisions that will pay future dividends. Hosting the Olympics can focus efforts on long-term transportation, infrastructure, and tourism needs. Here again Barcelona is a success story. While the city spent \$17.8 billion (in \$2019) on the 1992 Games, \$13.5 billion of this was for general infrastructure improvements that have continued to provide benefits to this day while only \$1.6 billion in spending was on sporting facilities that often go unused after the athletes

return home (Preuss, 2004). Even the 2004 Athens Olympics, considered an expensive failure by many, left the city with significant improvements in its mass transit system.

Finally, it is important to realize that the Olympics can bring non-monetary benefits to host cities. They are a celebration of international competition and cooperation and provide a festive atmosphere for visitors and locals alike. Careful studies of most mega-events like the Olympics show that local residents typically enjoy the spectacle and place a positive value on their city being part of the event. Economists have made numerous attempts to quantify these benefits. Estimates for the 2012 London Olympics arrive at non-monetary values for the event ranging from the hundreds of millions of dollars into the billions. If these studies are to be believed, these figures should be added to the direct economic benefits of the Olympics when determining whether a city should bid for the Games. Indeed, most of life's great celebrations, weddings, birthdays, holiday parades, fireworks, graduations, etc., wouldn't satisfy a strict cost-benefit analysis, but this doesn't mean we should stop celebrating life. Of course, society can't spend unlimited amounts on parties without considering the price tag, and the costs of the London Olympics exceeded the short-term benefits of the event by a wide margin even if one places a large dollar value on the "feel-good effect" of the Games. But that doesn't mean that the consideration of the people's happiness should be omitted completely.

In conclusion, it should not be automatically assumed that the Olympics will break the bank, and if hosting costs, and particularly construction costs, can be kept low, there is a chance to run an Olympics with positive net payoff. The Olympics generates huge (and growing) revenues that could be sufficient to cover reasonable expenses, again if cities can successfully rein in costs. The Olympics can also be used to advertise a city as a tourist or business destination leading to long-run economic gains. Similarly, the Olympics can be used to spur

general infrastructure improvements again leading to potential long-run benefits. Finally, even if the Olympics don't make the hosts rich, they may make them happy, and happiness is something worth paying for. Unfortunately, for most Olympic hosts, it is fairly clear that the Games cannot be justified on economic grounds.

The Bad

To begin to grasp, the economic dilemma of hosting the Olympic Games, it is useful to consider the business model of the IOC. The IOC is a monopoly. It calls for the cities of the world to bid against each other every four years, competing to earn the privilege of hosting the Games. When the model functions properly, cities attempt to convince the IOC of their appeal by offering more impressive facilities, infrastructure and services. If cities behave in an economically rational way, their bids would offer a plan up to the point where the expected cost would equal the expected benefit of hosting. The problem occurs when each city's bid process is hijacked by real estate development interests that stand to gain privately by winning billions of dollars of publicly-funded construction contracts.

These days hosting the Summer Games requires between 35 and 40 sports venues. Most prospective host cities have to construct 10 to 20 of these facilities. The reason, however, that the city did not have these arenas and stadiums prior to hosting the Olympics is that there was not sufficient demand for their use to justify building them. In the overwhelming majority of cases, there remains insufficient demand after the Games are over. The consequence is that not only does each facility cost tens or hundreds of millions of dollars to build, but each occupies acres of valuable urban real estate and requires millions of dollars of annual operating and maintenance expense.

In response to the growing concern over the associated financial and environmental waste and the increasing dearth of applicant cities, the IOC announced its reforms of Agenda 2020 in 2014 and the New Norm in 2018. The IOC now encourages cities to build temporary facilities to avoid the problematic image of white elephants. While temporary venues might improve the optics, they denote both a waste of resources in construction (Chicago's bid for the 2016 summer Games included a proposed \$366 million temporary Olympic stadium) and the absence of a sport legacy.

While it is true that Olympics hosting inevitably leaves behind some elements of a positive infrastructure and sports legacy, there is generally less there than meets the eye. Consider, for example, Rio's construction of a \$3 billion metro between its downtown beach area and Barra da Tijuca to facilitate transportation between Olympic clusters. This metro undoubtedly offers some utility to the hundreds of daily commuters between these areas, but in any rational ordering of transportation priorities, it would have been far down the list of public investments. Given the exiguous financial resources of Rio and Brazil, the metro would never have been built (Zimbalist, 2017). In those uncommon instances where hosting the Games inspired infrastructure investment that made economic sense, one wonders why the investment could not have been made without hosting the Games.

Of course, there are not many cities that have an effective planning and political apparatus in place to make the most needed investments. The absence of such institutions helps to explain how real estate interests can commandeer the political process to promote an Olympic bid. To be sure, these interests usually stand to gain whether or not their city is ultimately chosen to host the Games. The reason is that the bidding process could require the city to make

zoning changes to accommodate the eventual plans and usually as well to establish quasi-public bodies to facilitate and mobilize the necessary resources.

The standard claim that hosting promotes tourism, international trade and investment must be challenged. In the short run, hosting the Games sometimes brings a modest increase in visitors but sometimes it brings a reduction. In London 2012, tourism fell by over 5 percent. In Beijing 2008, tourism dropped by some 30 percent. Given that the summer Games involve 10,500 athletes plus several thousand trainers and coaches, along with family members of the participants, it is curious that some cities would experience a decrease in visitors during the seventeen days of the Games. The reason is that many potential visitors anticipate congestion, higher prices and possible political disruption, and decide to go elsewhere. Hence, Olympic tourists displace normal tourists. To be sure, visitors to the Olympics spend their time attending the athletic competitions, not going to the normal tourist attractions of the city. Hence, when they return home, they report on the competitions, not the city. Tourism agencies allege that word of mouth is the best promoter of tourism and this effect is largely lost to Olympic tourism. Additionally, many local residents also seeking to avoid the crowds and disruption decide to travel outside the city. Thus, the expectation of a short-term economic boost rarely materializes.

The international exposure from hosting is also alleged to promote foreign trade and investment. It is a rare company, however, that will either trade with or invest in a city simply because it has hosted a sports mega event. Foreign companies are looking for high quality, fair priced and reliable goods to purchase and strong markets with a favorable fiscal climate, skilled labor, proximity to inputs, and low wages in which to invest. They are not seeking out past Olympic hosts. It is not surprising that empirical evidence to back the trade and investment claims is lacking. Further, it is important to caution that not all cities have their image burnished

from hosting; some have had it tarnished as news about political repression, extreme climate, problematic infrastructure or even terrorist incidents can occur.

What about the economic boost from the construction activity for the seven years leading up to the Games? If the construction industry was not fully employed prior to the Olympics-related construction, then there will be new employment. Indeed, there is generally so much construction of facilities and transportation infrastructure in the build-up to the Games, that it is necessary to import labor from outside the metropolitan area, and often from outside the country. The problem here is that a significant part of this construction is paid for by the issuance of debt. The debt has to be paid in subsequent years which eats into the public sector's resources for spending on other construction or on services. Thus, forces of economic stimulus in the early years result in a tendency for economic contraction after the Games.

As pointed out above, correlation is not causality. While it is true that skiing in the Salt Lake City area has grown quickly since the city hosted the 2002 Olympics, it is not clear to what extent this can be attributed to the Olympics. The number of visitor skier days in Utah during the Olympic year of 2001-02 was 2.98 million, 9.9 percent below the 3.28 million in 2000-01 and 5.3% below the 3.14 million in 2002-03. If the Olympics were the cause of the increase, it is natural to expect the impact to have been present in either the Olympic year or the following year. And the fact that the rate of growth in skier days during the decennial 2005-15 was higher in Utah than in Colorado is not unusual given the much lower base year in Utah.

Beware the Olympic Village. For the summer Games, the village must house some 16,000 athletes, trainers and coaches. In addition to bedrooms, the village must contain cafeterias, restaurants, training and workout facilities, polyclinics and entertainment venues. The cost of building such a village can run into the billions of dollars. It is not uncommon for the

Olympic Organizing Committee to contract with a private developer to build the village. In both Vancouver and London, the private developer pulled out of the project leaving the local government with the balance of the financial obligation. In other cases, in order to incentivize the private capital, the local government offers cheap land, extensive development rights and long-term tax relief. Despite promises of low-income housing, it is difficult to motivate the private developers to build for conversion to affordable housing. The result is gentrification of the land around the Olympic Village or, even worse, as in Rio, thousands of luxury apartments that cannot be sold and sit vacant.

The claim of a feel-good effect from hosting can be ironic. While for many cities there is a fleeting boost of spirits, there is also an underside. Hosting the summer Games requires at least 1,660 acres for the surface area of the venues and ceremonial space. In order to make that acreage available in a modern urban environment, a lot of land has to be cleared; this means community evictions. In London, 4,000 people were kicked out of their homes; in Atlanta, 30,000 were kicked out; in Rio, 77,200 residents were evicted; in Seoul, 700,000 lost their homes and, in Beijing, 1.25 million people were relocated.

Environmental degradation also seems inevitable for host cities. The Black Sea in Sochi used to be an inviting place to swim in the summer months. It is now avoided by residents. The golf course in Rio was built on a protected marsh and is scarcely used. The ski slopes being constructed for the 2022 Winter Olympics north of Beijing are in a water starved area and will require water piped in from southern China to make artificial snow. In Pyeongchang, South Korea, 58,000 trees were chopped down in the national park at Mt. Gariwang to make way for the downhill skiing competition. The list goes on.

In the end, for hosting to make sense, the conditions must be exceptional. Los Angeles has all the required venues, with one minor exception, and has a modern transportation, communications, and hospitality infrastructure. It also has abundant modern dormitories with all the pertinent services on the centrally located UCLA campus. Serendipitously, the students are not in the dormitories in the summer so a part of the campus can be transformed into the Olympic Village with little expense or inconvenience.

In Barcelona, the city was engaging in its first democratic planning exercise since the death of long-time dictator Francisco Franco in the mid-1970s. In 1976, the city produced the General Metropolitan Plan (PGM) that established a new spatial framework for the city. A significant part of this framework entailed opening the city to the sea. This involved relocating rail lines that separated the Poblenou neighborhood from the beach and the placing of a roadway below grade at the bottom of the famous street, Rambla. It also meant an area of mostly abandoned warehouses and factories in Poblenou would be raised and become the eventual site of the Olympic Village, converted to residential housing after the Games. Other parts of the plan related to improving the road network around the city, extending the metro system, redesigning the airport, renovating public spaces and museums, and modernizing the sewage system.

The key point is that an early plan for urban redevelopment was formulated by 1976 and then elaborated in the following years. It was not until 1986 that the IOC selected Barcelona to host the 1992 Games.

In 1983 city planners put out a preliminary report on the feasibility of hosting the Olympics and concluded that the refurbishment of the 1936 stadium in Montjuic (which became the Olympic Stadium) and the construction of the Sports Palace and Swimming facility would be undertaken whether or not the city was selected to host the Games. Of the 37 sports facilities

ultimately used during the 1992 Olympics, 27 were already built and another five were under construction at the time Spain was selected to host the Games in 1986. (Zimbalist, 2016, ch. 5) Thus, a central feature of the Barcelona experience is that *the plan preceded the Games* and, hence, the Games were put at the service of the pre-existing plan, rather than the typical pattern of the plan being put at the service of the Games. The fact that the city was also relatively undiscovered as a tourist destination, but boasted a host of alluring features from exquisite architecture, to a favorable climate and a seaside location, also made it a unique candidate to benefit from Olympic exposure.

Hence, a negative outcome from hosting is not inevitable; it is just simply highly probable. It is not likely that Boston would have beaten the odds in its bid to host the 2024 Summer Games.

The Case of Boston

Boston's experience with bidding for the 2024 Summer Olympics holds many lessons for cities that are considering advancing an Olympic host bid of their own. While the failure of Boston's bid attracted international attention, it was, in many ways, a standard process representative of the life and death of recent bids in cities such as Hamburg and Calgary. Boston's bid had many hallmarks of a typical host bid, including strong support from prominent government officials, boosterism from the construction and real-estate industries, and a high-profile, \$15 million campaign to win both public support at home and the support of the United States Olympic Committee (USOC) and the International Olympic Committee (IOC). It also attracted grassroots, populist opposition that was successful in exposing the bid's drawbacks and

risks, while ultimately contributing to the bid's demise. Anyone wanting to understand the implications of their own city bidding on the Olympics would be wise to study Boston.

The story of the Boston bid begins in February, 2013, when the USOC sent a letter to mayors of 35 cities around the country soliciting bids for the 2024 Summer Games. This was the beginning of a competitive auction process to select a United States bid. This process would mirror the competitive auction conducted by the IOC that would result in a city being awarded the 2024 Summer Olympics at an IOC meeting in 2017.

Boston's long-serving Mayor, Tom Menino, dismissed the idea of an Olympic bid, calling it "far-fetched" in a radio interview on March 5th, 2013. In a *Boston Herald* article the next day, the idea was also panned by John Fish, a prominent businessman with a close relationship to Menino. But just three weeks later, Mayor Menino announced that he would not be running for reelection (Dempsey and Zimbalist, 2017). Fish, the owner of the largest construction company in Massachusetts, quickly changed his mind – he decided that a bid was now worth exploring. Suddenly, a Boston Olympic bid was given new life.

By October 2013, just weeks before Boston's mayoral election to replace Menino, Fish had invited members of the USOC to meet with him and other civic leaders privately in Boston. In addition to his responsibilities as Chairman and CEO of Suffolk Construction, Fish sat on a number of civic and institutional boards, including that of Boston College, the Boston Federal Reserve, and the Greater Boston Chamber of Commerce. He had been named Boston's "Most Powerful Person" in 2012 by *Boston Magazine*, ahead of the Mayor, the Governor, and both of Massachusetts' U.S. Senators. As a power broker with countless wealth and strong political connections, Fish was well positioned to lead the bidding effort. He recruited to the bidding team other prominent businessmen, politicians, and civic leaders, including Bob Kraft, owner of the

New England Patriots, Steve Pagliuca, a Managing Director at Bain Capital and the co-owner of the Boston Celtics, and Mitt Romney, a former Presidential candidate, former Governor of Massachusetts, and the President and CEO of the Salt Lake City 2002 Winter Olympics, who said on NBC's Meet the Press in February, 2014, "Boston would love it if the Games came home."

The election of State Representative and union leader Marty Walsh as the Mayor of the City of Boston in November, 2013, was an auspicious step for the nascent bid. While Walsh had expressed skepticism of the bid on the campaign trail, he was a rabid sports fan and had built a career representing workers in the construction industry. The opportunity to create a mayoral legacy built on sports, and to provide many of his core supporters with a robust regional construction market for the ensuing decade, began to prove irresistible. Mayor Walsh would be a crucial and loyal supporter of the bid in the months ahead.

The boosters assembled a bid that they claimed would not only allow Boston to host the 2024 Summer Games, but would also launch a monumental effort in city-planning that would remake and transform entire sections of Greater Boston. Fish told *Boston Magazine*, "I start with the question: What is the city of Boston going to look like in 30 to 40 years? It involves thinking big—not just thinking about where we've been and where we're going, but thinking a little abnormally. We may never realize the Olympics in 2024, but the opportunity to bring the community together to talk about the future is a powerful thing."

The mock images produced by the bidding committee were captivating and inspiring. They showed new stadiums and sports venues gleaming beneath fireworks set off to celebrate the opening ceremonies, with the beautiful Boston skyline, Charles River, and Boston Harbor in the background. The boosters also said the bid would utilize Boston's existing sports venues,

including iconic stadiums such as Harvard Stadium and Fenway Park. And, of course, the Games would provide the opportunity to “put Boston on the world stage”. It was easy to see the populist draw of a Boston Olympic bid.

The compelling pitch behind the Olympic bid also appealed to Boston’s strong sports heritage and pride in the success of its professional sports team. While mostly a ceremonial group, Boston 2024’s “Board of Directors” would eventually include Boston Celtics legend Larry Bird, Red Sox slugger David Ortiz, and Boston Marathon winner and U.S. Olympian Meb Keflegzhi, among other sports stars.

In contrast with the extravagant and attractive images of a Boston Olympic Games were the promises to the public that the Games would require “no taxpayer funding”, and that, unlike prior Olympic Games, they would be “privately funded”. The boosters promised the Games would bring enormous economic benefits with few costs or risks. And the Games would leave a “legacy” that ranged from new athletic facilities, to new public parks, to a new generation of Bostonians that might be inspired to pursue Olympic dreams of their own.

Perhaps the boosters’ most effective argument was that the Games -- indeed, even the bid itself -- could be a “catalyst” for making improvements and investments that the region should be making but was not. Chief on that list was upgrades to its aging public transportation system. The boosters were offering more than a fun three-week event. They were promising international prestige and attention, short-term and long-term economic development, the sprouting of new neighborhoods and much-needed new housing, no financial risk for taxpayers, and permanent upgrades to the region’s transportation infrastructure.

In July, 2013, Fish persuaded the Massachusetts State Senate, by a vote of 38-1, to commission a “Feasibility Study” to assess the potential of Boston as a host city. Fish was

appointed as Co-Chair. Others appointed to the Commission included a mix of individuals representing government, the tourism industry, and real-estate interests. But the Commission included no academic experts nor independent analysts. In February 2014, the Commission's conclusion echoed the boosters' hopeful language about a potential Games, writing: "The Commission finds that it would be feasible for Massachusetts to host the 2024 Summer Olympic Games based upon its initial assessment that suggests that the Commonwealth fares comparatively well against many of the IOC criteria. But the Commission does recognize that pursuing a bid would be an enormous task, and that infrastructure and venue requirements would need to be addressed. The Commission does not, however, see the prior two points as prohibitive, rather, the Commission views these challenges as an opportunity to leverage an Olympics to catalyze and accelerate the economic development and infrastructure improvements necessary to ensure that Massachusetts can compete globally now and into the future."

The fall of 2013 also saw the origins of Boston's Olympic opposition. No Boston Olympics was founded in a living room by three friends with backgrounds in business, politics, and government, who feared that a bid would be a costly distraction from more pressing civic and public priorities for the Commonwealth of Massachusetts. No Boston Olympics was later joined by other opposition groups, including a grassroots group named No Boston 2024, which had its roots in the progressive Boston neighborhood of Jamaica Plain. While many of Boston 2024's leading opponents identified as left-leaning, opposition to the Boston 2024 bid came from both ends of the political spectrum, and included a number of conservative voices. Arguments against the bid included its fiscal irresponsibility, fears of displacement of marginalized communities and gentrification caused by development, and concerns about the impacts of the three-week event itself (including traffic). Opponents also pointed out the "opportunity costs" of

hosting the Games – even in the bidding phase, the Games were serving as a distraction for elected leaders from issues such as health care and education.

Over the course of 2014, the USOC began to pare down the number of cities to receive the Committee’s endorsement as the “official” United States bid. Eventually, Boston was named one of four finalists, along with Los Angeles, San Francisco, and Washington, D.C. This high-stakes process attracted significant attention from the media, but the USOC, run by Chairman Larry Probst and CEO Scott Blackmun, ensured that the bids submitted by each city in December of 2014 were kept secret. Board Members and staff at the USOC could read the documents, but the public and media could not. Bid opponents in Boston asked, “If this bid is so good for the people of Massachusetts, why can’t Massachusetts residents read it?” Mayor Walsh, John Fish, and other representatives from Boston joined the USOC for a final, closed-door pitch in December. While the Mayor’s team tweeted photos of the meeting, held in the San Francisco Bay area, what was said in the meeting and presented to the USOC was not shared with the public.

No doubt some of the characteristics of the Boston 2024 bid that appealed to Bostonians also appealed to the USOC. Boston’s beautiful rivers, parks, skyline, and harbor would provide a great backdrop for television, and the Olympics are first and foremost a television event. And as an East Coast city, Boston was perfectly placed to maximize television viewership, as afternoon events would take place in Europe’s prime time, and prime time events would be broadcast at a convenient time for viewers across North America. Just as compelling would be the ability to sell a Boston 2024 as “the University Games”, that would allow the USOC and IOC to associate themselves with elite academic institutions such as Harvard and MIT.

On January 8th, 2015, at yet another closed-door meeting in a conference room at Denver International Airport, the USOC Board of Directors met and voted narrowly to approve Boston as the “official” United States bid city. Having vanquished its rivals at the national level, the Boston bid would now compete against international bids. It was an undeniably exciting moment for the city and region, but one that also raised lots of questions about what lay ahead.

Coincidentally, the USOC’s announcement had come on the same day as the inauguration of Massachusetts’ new Governor, Charlie Baker. Baker was a Republican in a Democratic state and had run on a platform of fiscal responsibility. At the press conference that followed the USOC’s announcement, Walsh and Fish were jubilant, while Baker was more reserved and cautious, describing the USOC’s decision as “the beginning of a process”. Baker’s reluctance to fully embrace the bid provided hope to opponents that the bid could still be defeated.

In the weeks following the USOC’s announcement, details of what the boosters had included in the bid began to be released to the public. Boston 2024’s bid estimated costs of at least \$10 billion. The bid estimated operating costs of \$4.6 billion to be covered by Games revenues such as ticket sales and sponsorships, permanent venue costs of \$4.0 billion, that the boosters said would be covered by private funding, and \$775 million in public infrastructure investments, that would be paid for by taxpayers. Federal taxpayers would cover security costs of at least \$1 billion (and possibly as high as \$2 billion).

Rather than build an “Olympic Park” that would be home to most of the needed facilities, the bid would make use of existing and new venues sprinkled throughout Greater Boston’s urban area. In the words of the boosters: “The city *is* the Olympic Park.”

But Boston's bid would also remake at least two of Boston's neighborhoods. At Columbia Point in Dorchester, a \$1+ billion Olympic Village would create 2,950 housing units, additional housing for 2,700 students at nearby UMass-Boston and elsewhere, restaurants, art space, parking, and improved neighborhood amenities including a street grid and parkland. The plan would rely on a master developer, to be chosen by the City of Boston, to assemble \$2.9 billion in financing. Boston 2024 was proposing a vibrant, dynamic new neighborhood on a valuable piece of land that was clearly underutilized. By almost any standard, it was a vast improvement over the site's current condition and uses, which included a derelict convention hall, parking lots, and decades-old office buildings.

Boston 2024's proposed transformation of Widett Circle was even more impressive than what it promised for Columbia Point. In place of low-slung food warehouses and above the active rail and train maintenance yards, a developer would erect a massive steel superstructure that would host the temporary Olympic stadium and other athletic facilities. The cost of the deck (that would cover the rail yards) alone might total more than \$1 billion, before any buildings were actually constructed. Once the Games left town the stadium would be demolished and the steel superstructure would be the foundation of a new neighborhood with nearly eight million square feet of offices, residences, hotels, and shops. This was city-making at a grand scale, yet it hardly reflected a thoughtful planning effort. For example, the proposal had no space or financial allocation for schools, libraries, public health clinics, fire stations, or police stations.

These proposed construction activities came with enormous costs and risks that would be borne by taxpayers, despite Boston 2024's promises to the contrary. In particular, the development at Widett Circle would require massive amounts to capital to construct the deck above active railyards used by the MBTA, the state's public transportation agency. In exchange

for this development, the boosters proposed that the developers would be the recipients of the largest property-tax breaks in the history of the City of Boston. But it was more than just the immensity of the required tax breaks—it was also the fundamental risk of the construction itself. If private developers never materialized to begin the project, as was the case with the Olympic Village for London 2012, or if they abandoned the deal halfway through, as was the case of Vancouver 2010, the city and its taxpayers would be on the hook to step in and complete the construction. The bid plan also failed to identify locations for some key venues, including a velodrome that would cost more than \$100 million to construct.

A particular sticking point for opponents was the International Olympic Committee's requirement that the host government sign a "taxpayer guarantee" that promised that the government would provide the venues and services as promised, and be responsible for any cost overruns. Opponents of the bid called this "the blank check", and it became one of the most effective talking points and a reminder that public contributions to the Games would be significant, despite the boosters claiming that "no taxpayer dollars" would be spent on the bid.

Boston 2024's boosters did acknowledge that some prior Olympic Games had gone over budget and required taxpayer bailout, but the boosters claimed to have developed a new model for insurance against such risks. In exchange for estimated premium payments of \$128 million, the boosters said they and would purchase layered insurance policies that would cover cost overruns and isolate the public from risks. While these proposed policies did mitigate certain risks, they did not come close to what was being asserted. "Insurers do not cover risks that are certain to materialize, and almost every Olympics in the recent past has had major cost overruns," offered Boston College law professor Patricia McCoy to the *Boston Globe*. "Any suggestion that private insurance will pick that up is smoke and mirrors." Insurers will not cover

changes in scope and they will not insure a policy-holder against the holder's own mismanagement. Boston 2024 admitted it had begun conversations with potential insurers, but it could not produce any evidence that insurers were offering the products it said were available. The boosters' claims of having comprehensive insurance were simply false.

Public polling showed that, at first, voters were supportive of the Boston bid. A public poll by one of Boston's public radio stations, WBUR, released on January 20th, 2015, found that 51 percent of Greater Boston residents supported the bid, with only 33 percent opposed. But within a month, public support began to drop as opposition rose. WBUR's February 19th poll found support at just 44 percent, and opposition at 46 percent. Support fell even further in WBUR's March poll, which found just 36 percent supporting Boston 2024 compared with 52 percent in opposition.

A number of factors contributed to the steep decline in support. The polling data was clear that residents who were well-informed about the bid tended to oppose it more strongly than residents who had invested less time in understanding the bid's implications. In other words, the more residents learned about the bid, the less they liked it. Some voters opposed the bid's secretive nature – the fact that the bid had been submitted in their names but was not available for them to read in full detail.

Many voters also doubted the region's ability to host such a large event given the state of the region's infrastructure. The bid's potential to "fix" Boston's public transportation had been one of the boosters' greatest selling points. But the winter of 2015 also saw record levels of snowfall in the Greater Boston area, and forced the region's transit system, used by more than 1.2 million riders per day, to shut down completely for days at a time. In this context, the bid appeared to be a distraction from what had become a regional transportation crisis. And voters

were clearly skeptical of the boosters' claims that the Games could be put on without public dollars. This became increasingly clear as the media reported on requirements for the transfers of public land to build venues, and the record-level tax breaks that the boosters were seeking.

Boston 2024's boosters had at first opposed putting the Olympic bid to a public referendum, citing supportive public polling. By March, public sentiment had flipped, and even some political supporters of the bid were questioning the bid's lack of meaningful public input. Searching for a change in fortunes amidst cratering public approval, John Fish announced he would now support a statewide referendum on the November 2016 ballot. The boosters' call for a statewide ballot was a recognition that the bid would require statewide support. While the City of Boston was the official host government, the state government had a budget fifteen times its size, and controlled much of the land, permitting processes, and transportation infrastructure that Boston 2024 would need to be viable. To win support from across Massachusetts, the boosters began to spread out the locations of potential venues, which had initially been clustered in Greater Boston. Handball went to Worcester. Sailing went to New Bedford on the state's South Coast. White water rafting moved to Western Massachusetts. These locations broadened Boston 2024's appeal to Massachusetts voters outside of Greater Boston, but also reminded them that the Olympics would ultimately be a state obligation that would require state funding.

It became increasingly clear to the boosters that they needed support from Governor Charlie Baker. Baker seemed wary of the megaproject, but also understood the potential political upside of hosting a successful Olympic Games. Baker handled the bid delicately, often offering praise for bid supporters like Mayor Walsh, but also urging them to develop a more thorough and comprehensive plan that could be vetted by voters. In March, 2015, Baker announced that he would support an independent assessment of the bid, funded by taxpayers, to provide him, the

President of the State Senate, and the Speaker of the House of Representatives with a report on the bid's implications for the Commonwealth.

By May, Fish had stepped down from bid Chairman, turning the reins over to Pagliuca. Pagliuca set out creating a “Bid 2.0” that was meant to address the outstanding questions and demonstrate that the finances of the project could work. This bid was released on June 29, 2015, with Pagliuca saying the Olympic bid had the potential to be “the biggest economic development opportunity of our lifetimes.” But WBUR’s July poll found that the release of Bid 2.0 had not budged poll numbers – with opposition still above 50 percent and support at 40 percent.

Boston 2024’s inability to increase public support was troubling to the United States Olympic Committee, which had chosen Boston after promises from Walsh, Fish, and others that opposition to the bid was limited to a few activists who did not represent broader public sentiment. The USOC had a lot riding on a successful Boston bid – hosting a domestic Games can be a financial windfall for the organization, which benefits from increased value in its sponsorship rights. The USOC was required to submit the name of the official bid city in mid-September 2015. Once submitted, the USOC would be locked-in to a Boston bid. If voters then opposed the bid in November 2016, the United States would be left with no candidate. Boston 2024’s shakiness made the USOC nervous. And it had an attractive alternative. In January, Los Angeles’s bid had lost out to Boston’s by just one vote, and boosters in Los Angeles had quietly communicated to USOC officials that they would be willing to step in should the Boston bid falter before September.

By July 27, 2015 Boston’s bid was over. The USOC Board of Directors gathered by conference call and pulled its support, leaving bid supporters such as Mayor Walsh to attempt to save face. As expected, by September, the USOC had switched gears and submitted Los Angeles

as the “official” US bid on September 15th. In July of 2017, the IOC chose to award the 2024 Games to Paris, but also to give the 2028 Games to Los Angeles, in an unprecedented “double award” that represented an extraordinary departure from the IOC’s typical bidding process.

It could be said, however, that this extraordinary decision was a result of desperation on the part of the IOC to hang on to its remaining bidders. The award of the 2022 Winter Games on July 31, 2015, just days after Boston removed itself from contention for the 2024 Summer Games, was marked by the withdrawal of official bids from Oslo, Kraków, and Stockholm, due to public opposition to the potential costs of the Games. Lviv, Ukraine also ended its bid due to political and military turmoil in the country. In addition, potential bids from Munich and St. Moritz, Switzerland, were scuttled by negative outcomes in public referenda prior to the official bidding process. This left only Beijing and Almaty, Kazakhstan, neither of which had a reputation for respecting public opinion in its political decision-making, as potential hosts for the 2022 Winter Games.

Boston’s grassroots opposition to the Boston 2024 Olympics, along with the collapse of bidding interest for the 2022 Winter Games helped inspire opposition efforts in other cities. Hamburg withdrew its bid for 2024 Summer Games due to negative results in a voter referendum, and bids from Rome and Budapest were cancelled in order to avoid public votes that would likely also have failed to support the bids leaving only Paris and Los Angeles standing. The campaign to host the 2026 Winter Olympics suffered from a similar lack of interest. Voters in Calgary, Canada, Innsbruck, Austria, and Sion, Switzerland all voiced disapproval at the ballot box ending bids in those cities, and other potential bidders including Sapporo, Japan, Graz, Austria, and Erzurum, Turkey decided against pursuing a formal bid for various reasons including public and political opposition. Only two cities (Milan and Stockholm) submitted final

bids for the 2026 Games, and even then Stockholm was unwilling to sign the host city agreement with the IOC that would have placed ultimate financial responsibility for the Games on the city and its taxpayers rather than on the IOC or the local organizing committee. Milan was ultimately awarded the 2026 Winter Olympics on June 24, 2019.

The IOC has responded to cities like Boston by proposing a series of reforms, including “Agenda 2020”, released in 2014, and “The New Norms”, released in 2018. As can be seen by the limited number of bidders willing to follow through the entire process over the past three IOC votes, these reforms have not, as of this writing, significantly increased interest in hosting the Games by potential bid cities. In response, the International Olympic Committee has indicated an openness to further changes in the bidding process that might require cities in democratic countries to conduct referenda, and that could eliminate the “bidding” process entirely in favor of a selection process conducted by a special committee of the IOC.

Boston’s Olympic “legacy” is a reminder to potential bid cities that the risks and costs of an Olympic Games typically far outweigh the benefits, and that when voters have an opportunity to learn about a bid and to weigh-in, they often find that they are being offered a raw deal.

Conclusions

It is clear that the Olympics have become prohibitively expensive for most cities. There are important steps that could be taken to reduce the costs of hosting the Games. One potential solution is to designate one or more cities as permanent locations for future Games. Greece, the ancient birthplace of the Games, is sometimes mentioned as a possibility. Alternatively, a set of 3 or 4 cities across the globe used in rotation could at least ensure that expensive new sporting facilities could be used for more than just a three-week period. Finally, the Olympics could be

changed so that the event is hosted in multiple cities instead of just one, reducing the amount of new infrastructure that would need to be built in a single city.

Minimally, all Olympic bids should be required to hold a public vote before committing public funds to a host the Games. Ideally, this referendum should be done both before a bid is undertaken and once a final accounting of the projected costs is known.

The Olympic Games remain one of the great international celebrations that bring the world together and result in the host city becoming the lucky(?) recipient of attention from across the globe. This moment in the spotlight comes at a significant cost, however, and most cities would be wise to avoid the price tag associated with becoming an Olympic host. The citizens of Boston may be sorry to have missed hosting the world's greatest party, but it is unlikely that the city will miss what promised to be a huge financial hangover.

References

- Associated Press (AP). 2019a. "Money Games: Revised LA Olympics budget nearly \$7 billion," *USA Today*, <https://www.usatoday.com/story/sports/olympics/2019/04/30/2028-los-angeles-olympics-revised-budget-nearly-7-billion/39423037/>, posted April 30, 2019.
- Associated Press (AP). 2019b. "IOC to change process of Olympic bid races, host elections," <https://www.apnews.com/1abd6bd5a1ea487dbc74356630077105>, posted June 26, 2019.
- Baade, Robert, and Victor Matheson. 2016. "Going for the Gold: The Economics of the Olympics," *Journal of Economic Perspectives*, Vol. 30:2, 201-218.
- Dempsey, Chris, and Andrew Zimbalist. 2017. *No Boston Olympics: How and Why Smart Cities Are Passing on the Torch*. ForeEdge Publishing.
- International Olympic Committee. 2014. *Olympic Marketing Fact File – 2014 Edition*, http://www.olympic.org/Documents/IOC_Marketing/OLYMPIC_MARKETING_FACT_%20FILE_2014.pdf
- Preuss, Holger. 2004. *Economics of the Olympic Games*. London: Edward Elgar.
- Zimbalist, Andrew 2016. *Circus Maximus: The Economic Gamble Behind Hosting the Olympics and the World Cup*. Washington, D.C.: Brookings Institution Press.
- Zimbalist, Andrew. 2017. *Rio 2016: Olympic Myths: Hard Realities*. Washington, D.C.: Brookings Institution Press.